



On approval of the Rules for selection of external asset managers of the National Fund of the Republic of Kazakhstan

Unofficial translation

Resolution of the Board of the National Bank of the Republic of Kazakhstan dated May 30, 2016 № 126. Registered with the Ministry of Justice of the Republic of Kazakhstan dated July 13, 2016 № 13915. Repealed by resolution of the Board of the National Bank of the Republic of Kazakhstan dated March 19, 2020 No. 29.

Unofficial translation

Footnote. By the resolution of the Board of the National Bank of the Republic of Kazakhstan dated March 19, 2020 No. 29 (shall be enforced upon expiry of ten calendar days after the day its first official publication).

In accordance with the Law of the Republic of Kazakhstan dated March 30, 1995 "On National Bank of the Republic of Kazakhstan" and also with the resolution of the Board of the National Bank dated July 25, 2006 No. 65 "On approval of the Rules for implementation of investment transactions of the National Fund of the Republic of Kazakhstan" (registered in the Register of the state registration of regulatory legal acts No. 4361) the Board of the National Bank of the Republic of Kazakhstan **hereby RESOLVED as follows:**

1. To approve the attached Rules for selection of external asset managers of the National Fund of the Republic of Kazakhstan.

2. To recognize as invalid some regulatory legal acts of the Republic of Kazakhstan in accordance with the Annex to this resolution.

3. In accordance with the procedure established by the legislation of the Republic of Kazakhstan, the Monetary Operations Department (A.M. Moldabekova) shall:

1) ensure jointly with the Legal Department (N.V. Sarsenova) the state registration of this resolution in the Ministry of Justice of the Republic of Kazakhstan;

2) within ten calendar days after its state registration with the Ministry of Justice of the Republic of Kazakhstan send this resolution to the Republican State Enterprise on the Right of Economic Management "Republican Center of Legal Information of the Ministry of Justice of the Republic of Kazakhstan": for official publication in the information and legal system "Adilet";

within five working days from the date of its receipt by the National Bank of the Republic of Kazakhstan after the state registration with the Ministry of Justice of the Republic of Kazakhstan provide in the State Register of Regulatory Legal Acts of the Republic of Kazakhstan, Reference Control Bank of Regulatory Legal Acts of the Republic of Kazakhstan

;

3) place this resolution on the official Internet resource of the National Bank of the Republic of Kazakhstan after its official publication.

4. The Directorate for the Protection of the Rights of Consumers of Financial Services and External Communications (Terentyev A.L.) shall within ten calendar days after its state registration with the Ministry of Justice of the Republic of Kazakhstan ensure that this resolution shall be sent for official publication in periodicals.

5. Control over the execution of this resolution shall be entrusted to the Deputy Chairman of the National Bank of the Republic of Kazakhstan G.O. Pirmatov

6. This resolution shall be enforced upon expiry of ten calendar days after the date of its first official publication.

*Chairman of the National Bank
of the Republic of Kazakhstan*

D. Akishev

Approved
by resolution of the Board
of the National Bank
of the Republic of Kazakhstan
dated May 30, 2016 № 126

Rules

for selection of external asset managers of the National Fund of the Republic of Kazakhstan

Chapter 1. General provisions

1. These Rules for selection of external asset managers of the National Fund of the Republic of Kazakhstan (hereinafter referred to as the Rules) have been developed in accordance with the Law of the Republic of Kazakhstan dated March 30, 1995 "On National Bank of the Republic of Kazakhstan" (hereinafter referred to as the Law on the National Bank), as well as with the resolution of the Board of the National Bank of the Republic of Kazakhstan dated July 25, 2006 No. 65 "On approval of the Rules for implementation of investment transactions of the National Fund of the Republic of Kazakhstan", registered in the Register of State Registration of Regulatory Legal Acts No. 4361, (hereinafter referred to as the Rules for implementation of investment transactions of the Fund) and shall regulate the general procedure and conditions of transfer of assets of the National Fund of the Republic of Kazakhstan (hereinafter referred to as the Fund) to external or external transit management of foreign banks and specialized asset management organizations.

2. The Rules shall use the concepts provided for in the Civil Code of the Republic of Kazakhstan (Special Part) dated July 1, 1999 as well as the following concepts:

1) regional mandate - portfolio whose investments shall be concentrated within one country (market, region);

- 2) active asset management - a type of management, in which the value of tracking error shall exceed 0.5 (zero point five tenths) percent;
- 3) passive asset management - a type of management in which the tracking error shall not exceed 0.5 (zero point five tenths) percent. In passive management, the return of the portfolio in external management shall be approximately equal to the return of the reference portfolio;
- 4) external transit management of assets - a type of management, in which assets shall be transferred for up to 6 (six) months to the external transit manager in order to minimize risks in connection with amendments in the structure of transferred assets;
- 5) information ratio - the ratio of the level of excess returns to tracking error;
- 6) a global mandate - a portfolio whose investments shall go beyond one country (market, region);
- 7) diversification - placement of assets in financial instruments and other property in order to reduce the risk of reducing their value;
- 8) correlation - the statistical relationship of two or more values. The correlation shall be positive if, as one value increases (decreases), the value of the second indicator increases (decreases). The correlation shall be negative if, as one value increases (decreases), the value of the second indicator decreases (increases);
- 9) alternative instruments - investment products, which differ from financial instruments (stocks, bonds and money market instruments) by high indicators of returns, risks and low liquidity;
- 10) interbank market - a set of relations arising during transactions on purchase and/or sale of foreign currency, securities, payment documents in foreign currencies on the unorganized market;
- 11) the parent organization - a company holding a controlling stake in subsidiaries;
- 12) the exchange market - a set of relations with the use of trading systems of the trades, which shall carry out organizational and technical support of the trades, by their direct holding;
- 13) institutional investor - a legal entity investing money in financial instruments;
- 14) commission - remuneration paid for asset management services;
- 15) assets on advisory services - assets managed by an external manager, on which the external manager shall advise the client in terms of investment management of the client assets;
- 16) tracking error - the difference between the returns of the reference portfolio and the returns of the portfolio;
- 17) a specialized mandate - a mandate transferred to external management for the purpose of diversification according to the types of mandates and negative correlation between the returns of external managers;
- 18) mandate - portfolio having certain investment characteristics;

19) margin account - a current account for transactions with derivative financial instruments, opened in the clearing organization and used for accounting of security under transactions and settlement of transactions with derivative financial instruments;

20) The plenipotentiary representative - a special official (at the level not lower than the Deputy Chairman of the National Bank of the Republic of Kazakhstan (hereinafter referred to as the National Bank), determined by the decision of the Board of the National Bank, the powers of which shall be to make decisions on trust management of the assets of the Fund on behalf of the National Bank;

21) portfolio - a set of financial instruments, including cash currency;

22) portfolio manager – a person responsible for management of client assets;

23) external management - type of management of assets at which assets of the client shall be delivered in trust management to the nonresident bank of the Republic of Kazakhstan or the organization specializing (specializing) in trust management of assets of clients and which is carrying out (carrying out) activity in the international financial markets;

24) external manager - a non-resident bank of the Republic of Kazakhstan or an organization specializing in trust management of client assets and carrying out its activities in international financial markets;

25) external transit manager - a non-resident bank of the Republic of Kazakhstan or an organization specializing in external transit management of client assets and performing its activities in international financial markets;

26) transit period - a time period applied to the portfolio, established in accordance with the Rules in order to bring it into compliance with the parameters established by the Rules for carrying out investment transactions of the Fund;

27) authorized subdivision - Department of Monetary Transactions of the National Bank;

28) Management of the National Bank – the Chairman of the National Bank, Deputy Chairman of the National Bank, overseeing the authorized subdivision;

29) the level of excess returns - the difference between the actually achieved level of the returns and the level of the returns of the reference portfolio;

30) forex transactions - purchase or sale of currency on the stock exchange and interbank market;

31) reference portfolio - a set of tools reflecting the strategic interests of the investor. The returns on the reference portfolio shall serve as a measure in assessing the returns on asset management.

3. The assets of the Fund shall be transferred to external management for the purpose of:

1) reducing risks associated with the type of management due to diversification;

2) increasing the returns of managing the assets of the Fund by using the experience, analytical materials, research and technical resources of the external manager;

3) obtaining expertise and advice in the field of asset management, staff training;

4) opportunities to introduce new classes of assets for which there shall be no experience in independent asset management;

5) maintaining the number of external managers, who shall correspond to the volumes of external management established by the Rules for carrying out investment transactions of the Fund.

4. The total allowable amount of the Fund's assets transferred to external management by one external manager shall not be more than 10 (ten) per cent of the Fund's savings portfolio. If this limitation is violated, the authorized subdivision will resolve the discrepancy within 1 (one) quarter of the date of occurrence.

5. The selection of the type of management (active or passive) and the reference portfolio for the external manager shall be made in accordance with the objectives of managing the assets of the Fund and the restrictions imposed by the Rules for carrying out the investment transactions of the Fund, depending on the situation on the market.

6. An external manager or external transit manager shall be paid a fixed commission and/or a commission depending on the results of the management in accordance with an agreement on the transfer of the assets of the Fund to external management or an agreement on the transfer of the assets of the Fund to external transit management.

Chapter 2. Decision-making and transfer of the Fund's assets to external management or external transit management

7. The authorized subdivision shall publish on the official Internet resource of the National Bank information on the forthcoming tender at the choice of the external manager, shall draw up a list of potential external managers, shall send information to the potential external manager, which shall contain the following:

1) description of the type of mandate and its characteristics (reference portfolio, management objectives, investment restrictions, approximate scope of the mandate);

2) information requested from the external manager, in accordance with Annex 1 to the Rules (hereinafter referred to as Annex 1);

3) requirements to potential external managers;

4) the deadline for submitting to the National Bank the information requested from the external manager;

5) data on officials of the National Bank responsible for the tender;

6) conditions provided for in paragraph 22 of the Rules.

A prerequisite for the consideration of the proposal of the external manager shall be his written confirmation of the inclusion of the conditions provided for in paragraph 22 of the Rules in the agreement on the transfer of the assets of the Fund to external management.

8. The tender at the choice of the external manager shall be carried out by the authorized subdivision.

9. Potential external managers shall submit to the National Bank electronically and/or on paper the information requested from the external manager in accordance with Annex 1 to the Rules.

10. The authorized subdivision shall carry out a comparative analysis of all proposals received by external managers, taking into account the mandatory criteria provided for in paragraphs 11 and/or 12 of the Rules.

If the external manager meets the mandatory criteria provided in paragraphs 11 and (or) 12 of the Rules, the authorized subdivision shall carry out further consideration of the proposal and comparative analysis according to the evaluation criteria. The evaluation criteria for comparative analysis of proposals by external managers shall be provided in Annex 2 to the Rules.

The evaluation of the external manager's proposal shall be determined on the basis of the evaluation of the external manager's proposal in accordance with the table of evaluation criteria provided for in Annex 3 to the Rules.

When analyzing the applications of the participants, it is allowed to use the National Bank's own data on the Fund's existing external asset manager and the National Bank's foreign exchange assets.

11. Mandatory criteria for mandates where the amount of assets transferred to one external manager shall exceed the equivalent of 300 (three hundred) million US dollars shall be as follows:

1) experience with financial instruments in which the assets of the Fund are to be invested :

at least 10 (ten) years of experience, of which at least 5 (five) years of experience of the declared type of mandate;

if, when a tender is announced for the selection of an external global mandate manager, the participant shall have exclusively similar regional mandates under management - at least 5 (five) years of experience with regional mandates, which shall represent at least 75 (seventy-five) per cent of the global mandate coverage;

2) the amount of assets under management: the external manager shall have under management the total assets of clients (including assets on advisory services) not less than the equivalent of 25 (twenty-five) billion US dollars;

3) the amount of assets under the subject type of mandate under management:
external manager shall have total assets of clients not less than equivalent of 1 (one) billion US dollars according to the given type of mandate;

if, when a tender is announced for the selection of an external global mandate manager, the participant shall have exclusively similar regional mandates under management - at least the equivalent of 1 (one) billion US dollars under the regional mandates, which represent at least 75 (seventy-five) per cent of the global mandate coverage.

12. Mandatory criteria for specialized mandates in which the amount of assets transferred to one external manager shall not exceed the equivalent of 300 (three hundred) million US dollars shall be as follows:

1) experience with financial instruments in which the assets of the Fund are to be invested :

at least 5 (five) years, of which at least 3 (three) years of experience of the declared type of mandate;

if, when a tender is announced for the selection of an external global mandate manager, the participant shall have exclusively similar regional mandates under management - at least 3 (three) years of experience with regional mandates, which represent at least 75 (seventy-five) per cent of the global mandate coverage;

2) the amount of assets under management: the external manager shall have under management the total assets of clients (including assets on advisory services) not less than the equivalent of 3 (three) billion US dollars, except for external managers under the mandates of alternative instruments, for which the total assets of clients under management shall be not less than 1 (one) billion US dollars;

3) the amount of assets under this type of mandate under management: the external manager shall have the total assets of clients in this type of mandate not less than the equivalent of 150 (one hundred fifty) million US dollars;

if, when a tender is announced for the selection of an external global mandate manager, the participant shall have exclusively similar regional mandates under management - at least the equivalent of 150 (one hundred and fifty) million US dollars under regional mandates, which represent at least 75 (seventy-five) per cent of the global mandate's coverage.

13. The external manager shall, on the basis of a positive assessment of his management of the specialized mandate under paragraph 29 of the Rules, be transferred assets in an amount exceeding 300 (three hundred) million US dollars, but not exceeding the total allowable asset limit provided for in paragraph 4 of the Rules.

14. The authorized subdivision can contact clients of the external manager with a request for results and quality of management of clients' assets.

15. The authorized subdivision shall prepare the conclusion on the analysis of proposals by external managers within a period not exceeding 2 (two) months from the date of submission by external managers of information requested from the external manager, in accordance with Annex 1 to the Rules.

16. A conclusion prepared by an authorized subdivision containing a comparative analysis of proposals for external management and recommendations for the selection of an external manager shall be submitted for consideration to the Plenipotentiary Representative or the Chairman of the National Bank, who on the basis of the results of consideration on the basis of the resolution to the conclusion of the authorized department shall approve the most favorable proposals of external managers (short list). The authorized department shall hold

talks with potential external managers from the short list for the purpose of improving the terms of the external manager's proposals.

17. In order to obtain additional information on the procedure for making investment decisions and risk control procedures, meetings with potential external managers may be held by the authorized subdivision.

18. The External Manager shall be approved by a resolution of the Board of the National Bank or by a decision of the Plenipotentiary Representative providing for the conclusion of an agreement with him to transfer the assets of the Fund to external management.

If the external manager performing external management of part of the National Bank's foreign exchange assets according to a similar type of mandate with a positive level of excess returns for a period of not less than three years meets the criteria established by paragraphs 11 and (or) 12 of the Rules, by the decision of the Chairman of the National Bank or the Plenipotentiary Representative his candidature shall be allowed for approval without carrying out the procedures provided for in paragraphs 7, 8, 9 and 10 of the Rules.

19. Within 1 (one) month from the date of approval by the Board of the National Bank or by the Plenipotentiary Representative of the participant of the tender as the external manager, the authorized subdivision shall submit to each participant of the tender a notice of the tender result.

20. When selecting an external transit manager, the authorized subdivision sends requests to foreign organizations specializing in the provision of transit management services. According to the request, a potential external transit manager shall provide information on coverage markets, transit management strategies and service costs in terms of instrument classes and markets. The external transit manager shall be approved on the basis of the resolution of the Chairman of the National Bank or the Plenipotentiary Representative to the official note of the authorized subdivision with analysis of the received proposals of potential external transit managers.

21. The preparation, conclusion of an agreement on the transfer of the assets of the Fund to external management and agreements on the transfer of the assets of the Fund to external transit management and further monitoring of compliance with their terms shall be carried out by the authorized subdivision.

22. The agreement to transfer assets to external management shall contain the following conditions:

1) the authority of the National Bank to terminate the agreement on transfer of the Fund's assets to external management at any time in the following cases:

the non-achievement by the external manager of the excess returns of portfolio management in external management compared to the reference portfolio;

violation of the restrictions by the external manager established by the Rules for the implementation of investment transactions of the Fund;

amendments of the Rules for the investment transactions of the Fund;

on the basis of the resolution of the Board of the National Bank or by the decision of the Plenipotentiary Representative, with written notification to the external manager and indication of the date of termination of the agreement on transfer of the assets of the Fund to external management;

2) the authority of the National Bank, at its discretion, to replenish (withdraw) the assets of the Fund under external management;

3) signing of the agreement on transfer of the Fund's assets to external management in the state, Russian and/or language determined by agreement of the parties;

4) provision of information on the staff turnover responsible for managing assets of the Fund transferred to external management by the external manager;

5) visit of the external manager by the employees of the National Bank, the Ministry of Finance of the Republic of Kazakhstan (hereinafter referred to as the Ministry of Finance) and independent auditors for the purpose of verifying account transactions, as well as obtaining additional information about the external manager, the procedure for making investment decisions and procedures for risk monitoring;

6) non-use as brokers of transactions with assets of the Fund transferred to external management, affiliated with external management organizations;

7) liability of the external manager for the violation established by the Rules of the Fund's investment transactions, limit of the expected tracking error;

8) liability for possible losses caused to the Fund due to negligence, intentional default or fraud by an external manager;

9) consulting, training or internship of employees of the National Bank and the Ministry of Finance managing and monitoring the assets of the Fund;

10) submission to the National Bank by the external manager of the full portfolio reporting reconciled with the bank (banks) -custodian (custodians) on the date of termination of the agreement on transfer of the Fund assets to external management in case of termination of the agreement on transfer of the Fund assets to external management. All expected costs associated with the portfolio during the external management period shall be determined in accordance with the agreement on the transfer of the Fund's assets to external management;

11) submission to the National Bank of the external manager on a regular basis in accordance with the agreement on transfer of the Fund's assets to external reporting management in accordance with the following main directions:

daily reporting on previous business day transactions;

portfolio valuation (allocation of assets to different classes and types of currencies, composition of the portfolio at the end of the reporting month, market value of assets at the end of the reporting month);

portfolio transactions (list of all transactions concluded during the reporting quarter, sorted by different classes and currencies, repayments, dividend payments and accumulated interest);

review of portfolio management results (monthly, quarterly, and overall portfolio management results in terms of returns achieved, portfolio risk indicators, and tracking error versus reference portfolio);

a written report as of relevant markets and their impact on the portfolio;

economic review;

review strategy and explanation of the most important changes in portfolio structure

current strategy of investment;

the contribution of various factors to portfolio returns for active asset management.

12) monthly, at the end of each month or on the date of completion of the transit period, the external manager shall reconcile the composition of the portfolio transferred to external management with the data of the bank (s) -custodian (custodians) in accordance with the agreement on transfer of the Fund's assets to external management;

13) possibility of introducing amendments and/or additions to the agreement on transfer of the Fund's assets to external management with the written consent of both parties;

14) submission of information on transactions performed by the external manager to the custodian bank as soon as possible after the approval and completion of the procedures for confirmation of transactions between the external manager and the broker;

15) submission to the external manager of procedures for approval of brokers, as well as agents and counter partners of the external manager;

16) providing information on the existence of internal policies and procedures of risk management of the external manager, reducing the risk of abuse and conflict of interest, including ensuring equal distribution of transactions among client portfolios;

17) holding meetings with the authorized subdivision with frequency of once a year to report on the results of the management of the Fund's assets, on the execution of investment restrictions, assessment of the market situation and its possible impact on the portfolio and on the execution of the Fund's investment transactions.

23. The Agreement on the Transfer of the Fund's assets to external transit management shall contain the terms and conditions provided in paragraph 22 (3), (4), (5), (8), (13), (14), (15) and (16) of the Rules, as well as the following:

1) the authority of the National Bank at any time to terminate early the agreement on transfer of the Fund's assets to the external transit administration in the following cases:

violation by the external transit manager of the terms of the agreement on transfer of the Fund's assets to the external transit administration;

by the decision of the Chairman of the National Bank or the Plenipotentiary Representatives, or by the resolution of the Board of the National Bank, providing written notification to the external transit manager and specifying the date of termination of the agreement on transfer of the Fund's assets to the external transit authority in accordance with the agreement on transfer of the Fund's assets to the external transit authority;

2) the authority of the National Bank at any time to replenish (withdraw) the assets of the Fund held in the external transit administration, unless such actions affect any incomplete external transit management of the assets of the Fund;

3) submission by the external transit manager, at the moment of completion of the transit period, of the full portfolio reporting with the bank (s) -custodian (custodians) as of the date of completion of the transit period in accordance with the agreement on transfer of the assets of the Fund to the external transit administration;

4) submission of reports to the National Bank by the external transit manager in accordance with the following main directions:

reporting on all securities transactions performed by an external transit manager and its affiliated brokers (dealers) and future brokers;

a report on the outcome of any external transit management of the Fund's assets, including the difference in transaction value, broker fees, market impact, forex exchange rate differences, taxes and loss of profits at the end of the transit period;

a written report as of relevant markets and their impact on the portfolio;

economic review;

review strategy and explanation of the most important changes in portfolio structure

the current strategy for investing the Fund's assets.

24. The National Bank shall, in accordance with the agreement on transfer of the assets of the Fund to external management or the agreement on transfer of the assets of the Fund to external transit management, transfer the assets of the Fund to external or external transit management by transferring money and securities to the accounts of the National Bank from the bank (s) -custodian (custodians) intended for external management or external transit management.

25. When transferring the assets of the Fund to external management or external transit management, the transit period for transferring the assets of the Fund from one type to another is taken into account. Transit period duration shall not exceed 15 (fifteen) working days.

26. Assets of the Fund transferred to external management or external transit management shall be stored in the accounts of the National Bank in the bank (s) custodian (custodians) and in the margin account. For external transit managers, it shall be permitted to place the assets of the Fund on the margin account of the external transit manager opened with a third party, if there is an agreement between the National Bank and the external transit manager on the terms of such account transactions or the terms of such account transactions in the agreement on transfer of the assets of the Fund to the external transit authority.

27. From the date of transfer of the Fund's assets to external management or external transit management, the authorized subdivision shall carry out daily monitoring of the activities of the external manager or external transit manager: compliance with the restrictions specified in the agreement on transfer of the Fund's assets to external management or the

agreement on transfer of the Fund's assets to external transit management shall be checked, transactions performed by the external manager or external transit manager shall be monitored, risk and yield indicators of the portfolio in external management shall be evaluated.

28. Once a year, the authorized subdivision, in accordance with the agreement on the transfer of the Fund's assets to external management, shall meet with the external manager, at which the external manager shall report on the results of management, on the execution of investment restrictions, shall assess the market situation and its possible impact on the portfolio and on the implementation of the Fund's investment transactions.

29. The procedure for evaluating the performance of existing external managers shall be carried out in order to decide whether it is necessary to partially replenish (withdraw) the assets of the Fund or to continue (terminate) the work with the external manager. This procedure for evaluating the performance of external managers shall be carried out on the basis of the methodology for evaluating the performance of the external manager provided in Annex 4 to the Rules. Based on the results of the analysis of the performance of the external manager as a whole and by asset class for the last 3 (three), 5 (five) years and more from the day of the beginning of management taking into account the fees charged, the management of the National Bank shall make a corresponding decision to replenish (seize) the assets of the Fund or to continue (terminate) work with this external manager, or to submit this issue to the Board of the National Bank.

30. In case of violation of the limit on the Fund's assets transferred to external management due to the merger of two existing external managers, the authorized subdivision shall submit to the management of the National Bank the issue of termination of the agreement on transfer of the Fund's assets to external management with one of the two external managers, which showed a lower result. The given violation shall be corrected by the authorized subdivision within 4 (four) months from the date of occurrence.

31. The report on the results of the management of external managers shall be submitted to the Board of the National Bank on an annual basis.

Annex 1
to Rules for selection
of external asset managers
of the National Fund
of the Republic of Kazakhstan

Information requested from the external manager

1. Experience of the external manager on the type of mandate under consideration.
2. Assets of clients of the external manager under his management for the last 5 years, including:
 - 1) common assets under management;
 - 2) assets according to the type of mandate under consideration;

- 3) assets of institutional clients;
- 4) assets of central banks.
3. Information on portfolio and client relationship managers who will be liable for assets transferred to external management.
4. Information on staff turnover over the last 5 years among portfolio managers and analysts.
5. A detailed description of the investment process, portfolio management methods, market research, financial information sources used, or financial instrument valuation models.
6. How active market risk shall be modeled, monitored and managed (if the mandate type in question refers to active management).
7. Specialized software for monitoring and risk management.
8. Historical portfolio management results for a similar mandate type over the last 5 years with a similar or similar type reference portfolio.
9. Description of software used to calculate the returns, risk used in accounting and analytical reporting.
10. Description of internal corporate ethics.
11. Liability of the external manager to the National Bank in case of violation of the terms of the agreement on transfer of the Fund's assets to external management.
12. Which types of insurance are used to protect the client against errors of the external manager.
13. The credit rating of the parent organization (if any), the ability of the external manager to provide a guarantee to its parent organization on damages compensation in case of non-compliance of the external manager with the terms of the agreement on transfer of the Fund assets to external management, or the possibility of signing the agreement on transfer of the Fund assets to external management directly with the parent organization, or in the form of a tripartite agreement between the National Bank, the external manager and its parent organization.
14. Client training terms and conditions.
15. Information on estimated external management fees.
16. The last audit conclusion of the financial report of the external manager.
17. Internal policies and procedures of the external manager, reducing the risk of abuse and conflict of interest, including ensuring equal right and fair distribution of transactions among client portfolios, verifying the list and approval procedures of brokers, agents and counter-partners of the external manager.

Evaluation criteria for comparative analysis of proposals by external managing directors

criteria	criteria significance (i n percentage)
1 Historical results of portfolio management (comparative analysis of proposals made by potential external managers specializing in regional mandates and participating in the selection of a global mandate manager is based on the scope of the mandate)	35
average excess returns over the last 3-5 years (if excess returns over a period less than 5 years is positive, the indicator is normalized relative to a period of 5 years)	40
average information coefficient over the last 3-5 years (if the information coefficient over the period less than 5 years is positive, the indicator is rated relative to the period of 5 years)	60
Assets	10
2 percentage of assets under this type of mandate to total assets under management (comparative analysis of proposals by potential external managers specializing in regional mandates and participating in the selection of a global mandate manager uses assets under regional mandates. This value is standardized depending on the scope of the mandate)	65
share of institutional investor assets to total managed assets	35
team	15
3 average experience of portfolio managers and analysts liable for asset management under the relevant mandate	50
turnover among portfolio managers and analysts in general by company	50
Credit status	5
4 In case there is a guarantee of the parent organization, or the agreement on transfer of the Fund's assets to external management is signed with the parent organization, the credit rating of the parent organization (S & P or Moody 's) or the credit rating of the potential external manager	
Management fee level	20
Basic commission level	75
5 Adoption of the principle of payment of commissions on the basis of the results of external management in case of achievement of positive excess returns exceeding similar figures for previous periods from the date of start of management of external manager (net new high basis since inception)	10
Adoption of a minimum threshold of excess returns from which the calculation of the commission based on the results of external management begins, not lower than the basic commission	10
Adoption of the establishment of the terms of payment of commission on the basis of the results of external management for several years in parts	5
Service	10
6 Training of employees of the National Bank	70
Daily reporting	30
7 Availability of specialized of software on monitoring and risk management	2
8 Acceptance of responsibility to the National Bank in case of violation of the terms of the agreement on transfer of the Fund's assets to external management	3

Evaluation of the external manager's proposal according to the evaluation criteria table

1. The evaluation of the proposal of the external manager shall be the sum of all the indicators given in the table of evaluation criteria (hereinafter referred to as the Table) with the corresponding weights.

2. Before an indicator is entered in the Table, the indicator shall be rated against the best indicator in the criteria under consideration using the formula:

control parameter of the manager - the ratio of the control parameter of the manager to the maximum parameter for all external managers.

3. When assessing the credit rating of the parent organization and/or external manager, the following scorecard is used:

Credit (S&P)	rating	Indicator
AAA		1
AA+		0,8
AA		0,7
AA-		0,6
A+		0,5
A		0,4
A-		0,3
BBB+		0,2
BBB		0,1
below BBB		0

4. The following system of indicators is used to evaluate the training of employees of the National Bank and the Ministry of Finance:

Terms of the training	Indicator
External manager pays for flight, accommodation, meals	1
External manager pays for accommodation, meals	0.5
External manager pays for accommodation	0.2

5. If an external manager manages assets under a declared mandate type under another mandate, the historical results of managing those assets under another mandate shall be evaluated.

Methodology for evaluation of performance of the external manager

1. The performance of the external manager shall be evaluated by assigning points to the external manager in accordance with the quantitative and qualitative indicators provided for in this Methodology.

2. Quantitative indicators:

1) Information ratio

Percentage	Information ratio
>1	3 points
0,5 - 1	2 points
0 - 0,5	1 points
0	0 points
(-) 0,5 - 0	(-) 1 points
(-) 1 - (-) 0,5	(-) 2 points
<(-) 1	(-) 3 points

3. Qualitative indicators:

1) Staff turnover;

Percentage	Staff turnover
> 30	(-) 0,5 points
5 - 30	(-) 0,25 points
0 - 5	0 points

2) Operational risk.

For each violation of the Rules of investment transactions of the Fund due to an operational error, 0.2 points shall be taken from the valuation;

3) Compliance with a Code of Business Ethics.

For each fact of violation of business ethics by the external manager, 0.5 points shall be taken from the rating.

In case of systematic late execution of client orders 0.5 points shall be taken from the valuation.

4. The final performance evaluation shall be calculated as the sum of quantitative and qualitative indicators.

The list of some of regulatory legal acts of the Republic of Kazakhstan recognized as invalid

1. The resolution of the Board of the National Bank of the Republic of Kazakhstan dated July 25, 2006 No. 66 "On approval of the Rules for the selection of external asset managers of the National Fund of the Republic of Kazakhstan" (registered in the Register of state registration of regulatory legal acts No. 4360).

2. The resolution of the Board of the National Bank of the Republic of Kazakhstan dated April 30, 2007 No. 48 "On introduction of additions and amendments in the resolution of the Board of the National Bank of the Republic of Kazakhstan dated July 25, 2006 No. 66 "On approval of the Rules for the selection of external asset managers of the National Fund of the Republic of Kazakhstan" (registered in the Register of the state registration of regulatory legal acts No. 4701).

3. The resolution of the Board of the National Bank of the Republic of Kazakhstan dated November 30, 2009 No. 105 "On introduction of amendments and additions in the resolution of the Board of the National Bank of the Republic of Kazakhstan dated July 25, 2006 No. 66 "On approval of the Rules for the selection of external asset managers of the National Fund of the Republic of Kazakhstan" (registered in the Register of the state registration of regulatory legal acts No. 6010).

4. The resolution of the Board of the National Bank of the Republic of Kazakhstan dated May 21, 2010 No. 43 "On introduction of additions and amendments in the resolution of the Board of the National Bank of the Republic of Kazakhstan dated July 25, 2006 No. 66 "On approval of the Rules for the selection of external asset managers of the National Fund of the Republic of Kazakhstan " (registered in the Register of the state registration of regulatory legal acts No. 6323).

5. The resolution of the Board of the National Bank of the Republic of Kazakhstan dated April 29, 2011 No. 46 "On introduction of amendments and additions in the resolution of the Board of the National Bank of the Republic of Kazakhstan dated July 25, 2006 No. 66 "On approval of the Rules for the selection of external asset managers of the National Fund of the Republic of Kazakhstan" (registered in the Register of the state registration of regulatory legal acts No. 7010).

6. The resolution of the Board of the National Bank of the Republic of Kazakhstan dated December 26, 2011 No. 202 "On introduction of amendments and additions in the resolution of the Board of the National Bank of the Republic of Kazakhstan dated July 25, 2006 No. 66 "On approval of the Rules for the selection of external asset managers of the National Fund of the Republic of Kazakhstan" (registered in the Register of state registration of regulatory legal acts No. 7428, published on April 14, 2012 in the newspaper Kazakhstanskaya Pravda No. 102-103 (26921-26922)).

7. The resolution of the Board of the National Bank of the Republic of Kazakhstan dated April 28, 2012 No. 162 "On introduction of amendments in the resolution of the Board of the National Bank of the Republic of Kazakhstan dated July 25, 2006 No. 66 "On approval of the Rules for the selection of external asset managers of the National Fund of the Republic of Kazakhstan" (registered in the Register of state registration of regulatory legal acts No. 7779, published on August 23, 2012 in the newspaper Kazakhstanskaya Pravda No. 282-283 (27101-27102)).

8. The resolution of the Board of the National Bank of the Republic of Kazakhstan dated May 25, 2012 No. 181 "On introduction of amendments and additions in the resolution of the Board of the National Bank of the Republic of Kazakhstan dated July 25, 2006 No. 66 "On approval of the Rules for the selection of external asset managers of the National Fund of the Republic of Kazakhstan" (registered in the Register of state registration of regulatory legal acts No. 7803, published on August 29, 2012 in the newspaper Kazakhstanskaya Pravda No. 290-291 (27109-27110)).

9. The resolution of the Board of the National Bank of the Republic of Kazakhstan dated December 24, 2014 No. 253 "On introduction of amendments in the resolution of the Board of the National Bank of the Republic of Kazakhstan dated July 25, 2006 No. 66 "On approval of the Rules for the selection of external asset managers of the National Fund of the Republic of Kazakhstan" (registered in the Register of state registration of regulatory legal acts No. 10237, published on March 28, 2015 in the newspaper Kazakhstanskaya Pravda No. 56 (27932)).